
Subject: 2021-T-5 Award of Tender - Long Term Care (LTC), Linhaven, St. Catharines

Report to: Corporate Services Committee

Report date: Wednesday, June 16, 2021

Recommendations

1. That CCDC-2 Stipulated Price Contract 2021-T-5 “Linhaven Long Term Care (LTC) Home Redevelopment, St. Catharines” **BE AWARDED** to Buttcon Limited, at their bid price of \$100,972,238 (including 13% HST);
2. That the Gross Budget for Linhaven LTC Home Redevelopment, St. Catharines, **BE INCREASED** by \$3,652,420 and that the increase **BE FUNDED** from a Provincial Grant (Ministry of Long Term Care Development Grant); and
3. That the Regional Chair and the Regional Clerk **BE AUTHORIZED** to execute a CCDC-2 Stipulated Price Contract between Niagara Region and Buttcon Limited as proposed in Recommendation 1 above.

Key Facts

- The purpose of this report is to seek Council’s approval to award a contract to Buttcon Limited for construction of the new Linhaven LTC Home, St. Catharines and undertake a gross budget adjustment per the Budget Control By-law Section 6.6B.
- Council approved a total project budget of \$102 million for the Linhaven Long Term Care Home Redevelopment, St. Catharines as part of the 2020 Capital Budget.
- A modernized Provincial Funding policy, announced in September 2020, will provide \$17.1 million of additional funding to the Linhaven LTC redevelopment project.
- The Linhaven LTC Redevelopment construction budget has been significantly impacted by pandemic related disruptions and extraordinary material price increases.
- Additional funding required for the project will be offset by a Provincial Grant and will not impact the 2021 capital budget or require any increase to the Region levy.

Financial Considerations

In 2020, Regional Council approved the Linhaven and Gilmore Lodge Long Term Care (LTC) Home Redevelopments, with a total budget of \$175,000,000 with a separate levy increase of 1.54% for the debt servicing costs net of Provincial per diem subsidy. The project budget for Linhaven Long Term Care Home Redevelopment, St. Catharines (Project Number 20001203) is \$102,000,000 (Appendix 1 to Report CSD 35-2021). The project was part of the Region's asset management plan.

The cost of the tender award is \$90,928,807 (inclusive of 1.76% non-refundable HST). To accommodate this tender award, the overall project budget will need to increase to \$105,652,420, an increase of \$3,652,420.

The Linhaven and Gilmore Lodge LTC Redevelopment construction budgets have been directly, and significantly, impacted by pandemic related disruptions to the construction sector. Over the past 14 months impacts including, but not limited to, new and enhanced employee safety protocols, supply chain interruptions, labour/travel restrictions and material shortages have resulted in significant construction cost increases.

Extraordinary material price increases and market volatility, coupled with a robust construction market since the fourth quarter of 2020 have resulted in escalated construction costs beyond what could have been anticipated. Building materials including, but not limited to, metal stud, aluminum framing, drywall, insulation, rebar, structural steel, metal fabrications, lumber and wood related products and sheet metal have experienced significant price increases between 15% and 25% over the past several months. Material price increases have translated to a 5% to 10% increase in the overall construction cost.

The project team has carried out three construction cost estimates for the Linhaven LTC home redevelopment between October 2020 and April 2021. Despite maintaining the same building program and implementing value engineering measures, construction costs continued to increase well over what was anticipated. Over the six month period from October 2020 to April 2021, the construction estimate increased by \$3,491,000 or 4.2%. This is exclusive of the escalation allowance of 4% per annum that was accounted for in the cost estimate. When factoring in the anticipated escalation of 2% over six months, the actual construction cost increase of materials and labour over this period was \$5,160,000 or 6.2%. The Gilmore Lodge construction budget experienced similar pressures over this same time period and will require additional funding to cover

the unprecedented price increases. The project team is monitoring Gilmore Lodge construction costs and will report on the amount of additional funding required following the tender closing in August.

The proposed increase of \$3,654,420 will be funded from a Provincial Grant (Ministry of Long Term Care Development Grant). The additional funding became available through the Ministry of Long-Term Care's modernized funding model announced in September of 2020.

The Ministry of Long-Term Care provides a Construction Funding Subsidy (CFS) to support the cost of developing or redeveloping long-term care homes. Both of the Niagara Region's homes currently scheduled for redevelopment (Linhaven (256 Bed Home - St. Catharines) and Gilmore Lodge (160 Bed home - Fort Erie)) are eligible to receive funding under the Ministry's "Construction Funding Subsidy Policy for Long-Term Care Homes, 2019".

To incentivize the development and redevelopment of long-term care homes (for profit, non-profit and municipal homes), the Ministry has released a new modernized funding model to support constructing modern LTC homes for Ontario seniors. The new funding model recognizes differences in the way long-term care development is delivered across the province by tailoring funding to specific market segments. After initially being announced in September 2020, final details of the modernized funding policy were received in March 2021, confirming eligibility of Niagara Region's two planned capital redevelopment projects. The new policy provides additional funding in two areas:

Construction Funding Subsidy Per Diem

The Ministry has updated the policy to increase funding based on the homes market segment. Linhaven qualifies under the Urban market segment (population centre greater than 100,000) while Gilmore Lodge qualifies under Mid-size (population centre of at least 10,000 people, up to 100,000). Both the Urban and Mid-size market segments are eligible for an additional \$2.50 per bed per day over the 25 year eligibility period. The impact in funding from the previous policy compared to the new policy for both projects is as follows:

Construction Funding Subsidy Per Diem (Amounts in Millions)

Home	Construction Funding Under Old Policy	Construction Funding Under New Policy	Additional Funding (25 Year Reimbursement Period)	Additional Funding (Annually)
Gilmore Lodge	27.4	31.1	3.7	0.146
Linhaven	39.2	44.8	5.6	0.225
Total	66.6	75.9	9.3	0.371

Construction Funding Subsidy Per Diem is paid on a monthly basis for a period of 25 consecutive years after the first resident takes occupancy in the home.

Development Grant

The Ministry has introduced a new development grant component to the funding model, which is intended to cover a portion of eligible project costs. The development grant is set according to the market segment of the project and a percentage of eligible projects costs (17% for Urban market segment, 10% for Mid-size market segment), up to a maximum value of \$47,926 per bed for Urban and \$24,923 for Mid-Size. Both Linhaven and Gilmore Lodge are expected to receive the maximum development grant available based on eligible expenses in the approved budgets:

Development Grant (Amounts in Millions)

Home	Funding Under Old Policy	New Development Grant	Difference
Gilmore Lodge	-	4.0	4.0
Linhaven	-	11.5	11.5
Total	-	15.5	15.5

The Development Grant is payable in full, following substantial performance of the construction contract, and is tied to eligible construction costs and the number of eligible beds on the project as determined by the Ministry. The amount of the development grant may be adjusted by the Ministry after final approval of the operator's submission of eligible costs.

Summary of Provincial Funding Changes (Total 25 Year Reimbursement Period, Amounts in Millions)

Linhaven	Old Policy	New Policy	Additional Funding
CFS Per Diem	39.2	44.8	5.6
Development Grant	-	11.5	11.5
Linhaven Total	39.2	56.3	17.1
Gilmore Lodge			
CFS Per Diem	27.4	31.1	3.7
Development Grant	-	4.0	4.0
Gilmore Lodge Total	27.4	35.1	7.7
Combined			
CFS Per Diem	66.6	75.9	9.3
Development Grant	-	15.5	15.5
Combined Total	66.6	91.4	24.8

The proposed increase of \$3,654,420 will be funded from the Development Grant. Since the grant amount exceeds the budget increase required from the award there is residual funding at this time. There is no recommendation to substitute debt financing with this funding until the results of the Gilmore Lodge tender is completed and staff are able to assess the overall budget impact of both projects. A summary of the overall funding impacts for both projects with recommendations for all additional funding will be included with Gilmore Lodge's tender award report.

In spite of this capital budget increase and the potential for increases to the Gilmore Lodge construction budget to be determined in the fall, we do not anticipate any increased pressure on the operating budget (because of the enhanced funding). We anticipate the potential for a modest decrease, which will be reported with the Gilmore Lodge tendering and the 2022 budget.

Impact to Operating Levy

In the 2020 operating budget, council approved a 1.54% separate levy in order to fund the debt financing costs (principal and interest) associated with the 2020 Capital request for the two projects. The separate levy approved in 2020 represents the net requirement to fund both the Linhaven and Gilmore Lodge projects (net of the ministry funding). Prior to the approval of the separate levy in the 2020 operating budget, the debt costs (\$948,639) associated with the original project budget of \$15,635,000, approved in the

2016 capital budget, were funded through a combination of ministry funding (\$483,421) and reprioritization of base budget (\$465,218).

The recently announced increase to the construction funding subsidy per diem of \$224,817 for Linhaven and \$146,112 for Gilmore reduces the net requirement which equates to a 0.1% savings on the separate levy (see chart below):

Item	Dollars Required (Annually)	% of Levy
LTC Redevelopment Debt Charge	\$8,786,935	
MLTC Per Diem (Prior to Policy Update)	(2,683,018)	
Debt Charge/Net Cost	6,103,917	
Budgeted in 2016 for previously approved debt of \$15 million	(483,421)	
Net requirement for LTC (Approved in 2020 operating budget)	5,620,496	1.54%
Additional CFS Per Diem Funding for Linhaven based on changes to Ministry policy	(224,817)	(0.06%)
Additional CFS Per Diem Funding for Gilmore based on changes to Ministry policy	(146,112)	(0.04%)
Revised requirement for LTC	5,249,567	1.44%

The additional CFS per diem funding for the Linhaven project has created savings on the previously approved separate levy which could be used as a mitigation option or be repurposed for other initiatives.

Analysis

A Request for Prequalification (RFPQ) of General Contractors “2020-RFPQ-83 - Request for Prequalification of General Contractors for the Niagara Region Long-Term Care Redevelopment Project” was issued through Procurement on September 16, 2020. The RFPQ closed on October 15, 2020, with the Region receiving a total of sixteen (16) submissions. Two of the proposals failed to meet all mandatory submission requirements and were disqualified. The remaining submissions were found to be in compliance with all mandatory requirements and technical submissions were evaluated.

A five-member evaluation committee, with representation from Construction Energy and Facilities Management, Seniors Services and the Architect was formed to review the remaining compliant RFPQ submissions. Proposals were evaluated according to the scoring criteria outlined in the RFPQ, and approved by Council through report CSD 26-2020. The overall evaluation process was overseen by a representative from Procurement Services. Coming out of the evaluation process, a total of seven (7) general contractors met the minimum benchmark score and were successfully pre-qualified for both the Linhaven and Gilmore Lodge tenders. The list of pre-qualified contractors is identified below.

- Amico Infrastructure Inc.
- Aquicon Construction Co. Ltd.
- Buttcon Limited
- Graham Construction and Engineering LP
- Magil Construction Ontario Inc.
- Percon Construction Inc
- Walsh Canada

On March 30, 2021, the Region issued Request for Tender 2021-T-5 “Linhaven Long Term Care (LTC) Home Redevelopment, St. Catharines – General Contractor for Construction” to the seven prequalified general contractors. A total of seven addenda were issued throughout the eight week tender period that closed on May 26, 2021.

At tender close, the Region received bids from six (6) of the pre-qualified contractors. Upon review of the mandatory submission requirements by Procurement Services, all bids were deemed to be compliant.

A summary of the tender results is presented in the table below. All bids include a \$4 million construction contingency.

Bidder	Tender Price	Rank
Amico Infrastructure Inc.	\$ 99,740,000	5
Aquicon Construction Co. Ltd.	\$ 95,894,000	3
Buttcon Limited	\$ 89,355,963	1
Graham Construction and Engineering LP	No Bid	-
Magil Construction Ontario Inc.	\$ 100,800,763	6
Percon Construction Inc	\$ 94,125,000	2
Walsh Canada	\$ 96,744,000	4

Buttcon Limited was the low bidder, submitting a tender price of \$89,355,963 + HST. All six bids were within \$11,444,800 (11.9%) of one another. Despite being approximately \$4.8 million (5%) lower than the second ranked contractor, Buttcon Limited's bid was in alignment with the pre-tender construction estimate prepared by the cost consultant, and indicative that they have a clear understanding of the project requirements.

Award of the Contract is contingent on the gross budget for Linhaven LTC Home Redevelopment being increased and funded through the Provincial Grant as detailed in the Financial Considerations section of this report.

Alternatives Reviewed

No Alternatives were reviewed.

Relationship to Council Strategic Priorities

Not applicable.

Other Pertinent Reports

COM 8-2021	Public Health & Social Services	April 13, 2021
CSD 26-2020	Corporate Services Committee	May 13, 2020
CSD 53-2019	Budget Review COTW	October 10, 2019
COTW 05-2019	Committee of the Whole	July 4, 2019
CSD 15-2018	Corporate Services Committee	April 4, 2018
CL-C 21-2018	Regional Council	April 12, 2018
CSD 50-2017	Regional Council	June 20, 2017
CSD 49-2017	Regional Council	June 29, 2017
CSD 43-2017	Corporate Services Committee	June 21, 2017
CSD 9-2017	Corporate Services Committee	January 11, 2017
CAO 10-2016	Regional Council	July 21, 2016
CAO 4- 2016	Regional Council	March 24, 2016
CAO 13-2015	Regional Council	June 11, 2015
CAO 05-2015	Regional Council	March 26, 2015

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Appendices

Appendix 1	Linhaven LTC Home Redevelopment, St. Catharines Total Estimated Project Cost
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Linhaven LTC Home Redevelopment, St. Catharines
Total Estimated Project Cost

CSD 35-2021
June 16, 2021
Appendix 1

Cost Elements	Council Approved Budget	Budget Increase	Revised Council Approved Budget	Expended & Committed as of 05/26/21	Contract Award/ Forecast	Budget Remaining
	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (C) - (D) - (E)
Total Estimated Project Cost (20001203)*						
(a) Construction (including Construction Contingency and 1.76% non-refundable HST)	83,891,000	7,037,807	90,928,807	-	90,928,807	-
(b) Project Contingency	8,047,000	(3,976,592)	4,070,408	-	4,070,408	-
(c) Property Acquisition	-	-	-	-	-	-
(d) Consulting Services	3,737,000	-	3,737,000	835,404	2,901,596	-
(e) Permitting	-	622,100	622,100	-	622,100	-
(f) Furniture, Fixtures and Equipment	4,792,000	-	4,792,000	-	4,792,000	-
(g) Project Management (In-House) and Operations	1,533,000	(30,895)	1,502,105	212,915	1,289,190	-
Total Estimated Project Cost	102,000,000	3,652,420	105,652,420	1,048,319	104,604,101	-
Project Funding Sources						
Debt	(86,500,000)	-	(86,500,000)	-	(86,500,000)	-
Development Charges - LTC Facilities	(15,500,000)	-	(15,500,000)	(118,897)	(15,381,103)	-
Provincial Grant (MLTC Development Grant)	-	(3,652,420)	(3,652,420)	-	(3,652,420)	-
	(102,000,000)	(3,652,420)	(105,652,420)	(118,897)	(105,533,523)	-

*All costs include 1.76% non-refundable HST

** Total Contract Award is equal to i) \$89,355,963 before tax; ii) \$90,928,807 including 1.76% non-refundable HST; iii) \$100,972,238 including 13% HST